

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01
CIAE-00 COME-00 EPG-02 DODE-00 EB-07 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04
OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 NSCE-00
SSO-00 USIE-00 INRE-00 PA-01 PRS-01 EPA-01 CEQ-01
/100 W

-----070331Z 064047 /12

O 062334Z MAY 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC IMMEDIATE 3379

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PASS WHITE HOUSE FOR SCHLESINGER, FEA FOR O'LEARY AND FPC

E.O. 11652: NA

TAGS: ENRG, CA

SUBJECT: ENERGY - PRESS LEAK ON GILLESPIE/SCHLESINGER
CONVERSATION

1. MACNABB, DEPUTY MINISTER OF ENERGY, MINES AND
RESOURCES PHONED EMBASSY AT 6 PM, MAY 6, TO REPORT THAT,
TO DISMAY OF GOC, EMR MINISTER GILLESPIE'S NOTES OF HIS
MEETING WITH SCHLESINGER IN WASHINGTON ON MARCH 4 HAVE
FALLEN INTO HANDS OF CANADIAN PRESS (CP) REPORTER HOWARD
COLLINS. MACNABB SAID HE HAD RECEIVED NOTES AND FINDS
ONLY ONE AREA - SOME REFERENCES TO IAEA -
WHERE HE THINKS PUBLICATION MIGHT BE TROUBLESOME
TO U.S. MACNABB IS SENDING US COPY OF THESE NOTES AS
WELL AS GILLESPIE'S NOTES ON CONVERSATION WITH O'LEARY
SO THAT WE WILL BE ABLE TO COMPARE FULL TEXT AGAINST ANY
PRESS COVERAGE. EMBASSY WILL TRANSMIT TO DEPARTMENT
ASAP.

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2. FOLLOWING IS ITEM WHICH HAS JUST COME IN ON CP TICKER:
QUOTE: BY HOWARD COLLINS - OTTAWA (CP) - A MEMORANDUM BY
ENERGY MINISTER ALASTAIR GILLESPIE SAYS HE HAS INDICATED
TO THE UNITED STATES GOVERNMENT THAT IF OPPOSITION FROM
NATIVE GROUPS SCUTTLES A MACKENZIE VALLEY PIPELINE; THE
GOVERNMENT WILL SERIOUSLY CONSIDER AN ALTERNATIVE PROPOSAL
TO MOVE ONLY ALASKAN GAS ACROSS CANADA.

3. HOWEVER, GILLESPIE TOLD U.S. ENERGY CHIEF JAMES SCHLESINGER THAT THE GOVERNMENT WILL BE LOOKING AT NEW INITIATIVES TO SETTLE THE NATIVE CLAIMS, THOUGH THEY LIKELY WILL NOT COME UNTIL AFTER PUBLICATION OF THE BERGER COMMISSION REPORT.

4. THAT REPORT, ON THE SOCIAL ECONOMIC AND ENVIRONMENTAL IMPACT OF A PIPELINE IN THE NORTH, WILL BE TABLED IN THE COMMONS ON MONDAY.

5. OTHER POINTS MADE IN THE MARCH MEETING, AS OUTLINED IN THE GILLESPIE MEMORANDUM, INCLUDE:

-GILLESPIE FEELS THE FOOTHILLS PIPE LINES LTD. PROPOSAL FOR A PIPELINE TO SERVE ONLY THE MACKENZIE DELTA IN THE WESTERN ARCTIC IS NOT A SERIOUS OPTION AT THE MOMENT BECAUSE OF THE LOW VOLUME OF GAS DISCOVERIES;

--SCHLESINGER SEES THE NATURAL GAS FROM PRUDHOE BAY "AS BEING HELPFUL, BUT NOT REALLY SIGNIFICANT IN TERMS OF THEIR OVER-ALL GAS CONSUMPTION;"

-HIGH PRICES FOR MACKENZIE DELTA GAS POSSIBLY DOUBLE CURRENT PRICE COULD BE AN ARGUMENT FOR THE ALASKA-ONLY ROUTE, PROPOSED BY ALCAN PIPELINE CO. OF WHICH FOOTHILLS IS A PART.

6. THE MEMORANDUM WAS MADE AVAILABLE TO THE CANADIAN PRESS FRIDAY AND WAS WRITTEN BY GILLESPIE SOON AFTER HIS MEET-LIMITED OFFICIAL USE

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INGS IN WASHINGTON.

7. THE TWO GOVERNMENTS ARE EXPECTED TO MAKE A DECISION BY SEPT. 1 ON COMPETING PROPOSALS TO MOVE NATURAL GAS FROM THE DELTA AND ALASKA TO U.S. AND CANADIAN MARKETS.

8. CANADIAN ARCTIC GAS PIPELINE LTD. HAS PROPOSED A JOINT PIPELINE TO MOVE BOTH THE ALASKAN AND MACKENZIE DELTA GAS TO MARKETS. FOOTHILLS HAS PROPOSED SEPARATE LINES FROM THE TWO AREAS.

9. THE PIPELINES ARE BITTERLY OPPOSED BY NATIVE GROUPS IN THE MACKENZIE VALLEY. THEY SAY ANY LINE BEFORE THEIR LONG-STANDING LAND CLAIMS ARE SETTLED WILL LEAD TO THE DESTRUCTION OF THEIR TRADITIONAL WAY OF LIFE.

10. GILLESPIE SAID HE TOLD THE U.S. OFFICIALS THAT THE GOVERNMENT TAKES THE ALCAN PIPELINE CO. APPLICATION SERIOUSLY AND THAT IT "SHOULD BE CONSIDERED AS A SERIOUS

OPTION AS FAR AS CONTINGENCY PLANNING WAS CONCERNED."
THAT PIPELINE, ALTHOUGH IT WOULD CROSS THROUGH CANADA,
WOULD NOT PROVIDE ANY GAS TO THE DOMESTIC MARKET. "IN
PARTICULAR IT HAS THE ADVANTAGE OF MINIMIZING THE PROBLEMS
WITH NATIVE PEOPLE REGARDING THE SETTLEMENT OF LAND CLAIMS
BUT IT DID NOT, BY ANY MEANS, ELIMINATE THE PROBLEM," THE
MINISTER SAID.

11. OPPONENTS OF THE ALCAN PIPELINE CO. LINE SAY IT COULD
CAUSE ENVIRONMENT AND ECONOMIC DISRUPTION IN THE COUNTRY
WITHOUT PROVIDING MUCH BENEFIT.

12. GILLESPIE SAID THAT ANOTHER ARGUMENT FOR THE ALASKA-

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OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 NSCE-00
SSO-00 USIE-00 INRE-00 PA-01 PRS-01 EPA-01 CEQ-01
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-----070330Z 064176 /12

O 062334Z MAY 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC IMMEDIATE 3380

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ONLY ROUTE MIGHT BE THE PRICE OF MACKENZIE DELTA GAS
DELIVERED TO MARKETS IN THE EASTERN PROVINCES.

13. IT IS UNLIKELY THAT CANADA WILL HAVE THE SAME OPPOR-
TUNITY AS THE UNITED STATES FOR ROLLED-IN GAS PRICES-
IN EFFECT GETTING AN AVERAGE PRICE FOR HIGH-COST NORTHERN
SUPPLIES AND GAS PRODUCED IN ALBERTA.

14. "THE MAJOR REASON FOR THIS WAS THE POSITION OF
ALBERTA WHO WOULD ARGUE FOR THE SAME PRICE AS THAT NEEDED
TO DELIVER THE INCREMENTAL SUPPLIES FROM THE ARCTIC TO THE
TORONTO CITY GATE-PERHAPS THREE DOLLARS A THOUSAND CUBIC
FEET."

15. THAT WOULD BE THE EQUIVALENT OF PAYING EIGHTEEN DOLLARS TO TWENTY DOLLARS A BARREL FOR OIL, THE MINISTER SAID, AND IS DOUBLE THE CURRENT PRICE FOR GAS. HE ADDED THAT DOUBLING THE PRICE IN THE NEXT FIVE YEARS WOULD AROUSE A GOOD DEAL OF RESISTANCE IN THE CONSUMING PROVINCES."

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16. BUT HE ALSO SAYS THAT IF THE U.S. RAISES ITS OIL AND GAS PRICES TO WORLD LEVELS WITHIN FIVE YEARS, "CANADIANS WOULD BE MUCH MORE PREPARED TO ACCEPT HIGHER OIL AND GAS PRICES."

17. IN EVIDENCE PRESENTED TO THE NATIONAL ENERGY BOARD, OPPONENTS TO THE FOOTHILLS' MACKENZIE DELTA LINE, MAINLY ARCTIC GAS, SAY THAT AT BEST SIX TRILLION CUBIC FEET OF NATURAL GAS FOUND IN THE DELTA CANNOT SUPPORT A LINE.

18. BUT THEY SAY THAT IT CAN BE MOVED TO MARKET ECONOMICALLY BY MOVING IT IN THE SAME PIPELINE AS THE SUPPLIES FROM THE NORTH SLOPE OF ALASKA.

19. GILLESPIE'S MEMORANDUM SHOWS THAT HE AGREES WITH THOSE OPPOSING THE DELTA-ONLY LINE AND "I COULD NOT SEE THAT FOOTHILLS WAS A SERIOUS OPTION AT THE PRESENT TIME." END QUOTE. ENDERS

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Message Attributes

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